General Fund Revenue Overview

This section includes:

GENERAL FUND REVENUE OVERVIEW

SUMMARY OF GENERAL FUND REVENUE

Category	FY 2002 Actual	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan	Change from the FY 2004 Advertised Budget Plan: Increase/ (Decrease)	Percent Change
Real Estate Taxes - Current and Delinquent	$1,233,203,875	$1,392,128,078	$1,528,949,445	$1,494,186,763	($34,762,682)	-2.27%
Personal Property Taxes - Current and Delinquent[1]	471,463,373	469,629,780	477,464,895	477,170,195	($294,700)	-0.06%
Other Local Taxes	360,262,632	361,149,347	362,443,906	372,943,906	$10,500,000	2.90%
Permits, Fees and Regulatory Licenses	28,609,183	26,468,562	28,371,322	26,851,322	($1,520,000)	-5.36%
Fines and Forfeitures	10,318,703	9,705,364	12,006,933	12,044,433	$37,500	0.31%
Revenue from Use of Money/Property	28,233,572	16,305,124	16,372,803	16,372,803	$0	0.00%
Charges for Services	35,241,909	37,301,691	38,771,557	38,148,727	($622,830)	-1.61%
Revenue from the Commonwealth and Federal Governments[1]	127,079,686	124,932,978	115,713,200	115,818,200	$105,000	0.09%
Recovered Costs/ Other Revenue	5,899,819	5,304,162	5,395,848	5,395,848	$0	0.00%
Total Revenue	**$2,300,312,752**	**$2,442,925,086**	**$2,585,489,909**	**$2,558,932,197**	**(26,557,712)**	**-1.03%**
Transfers In	4,614,594	3,925,732	1,396,150	1,396,150	0	0.00%
Total Receipts	**$2,304,927,346**	**$2,446,850,818**	**$2,586,886,059**	**$2,560,328,347**	**($26,557,712)**	**-1.03%**

[1] The portion of the Personal Property Tax reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998 is included in the Personal Property Tax category for the purpose of discussion in this section.

GENERAL FUND REVENUE OVERVIEW

As reflected in the preceding table, FY 2004 General Fund revenues are projected to be $2,560,328,347, a decrease of $26,557,712, or 1.0 percent, from the FY 2004 Advertised Budget Plan. This decrease is primarily the result of a $0.03 reduction in the Real Estate Tax rate from the $1.19 per $100 of assessed value included in the FY 2004 Advertised Budget Plan to $1.16 per $100 of assessed value. The Real Estate tax reduction is partially offset by an increase in Other Local Taxes resulting from the implementation of a Mobile Telephone Tax and additional revenue from Tax Receipts on Rental Cars.

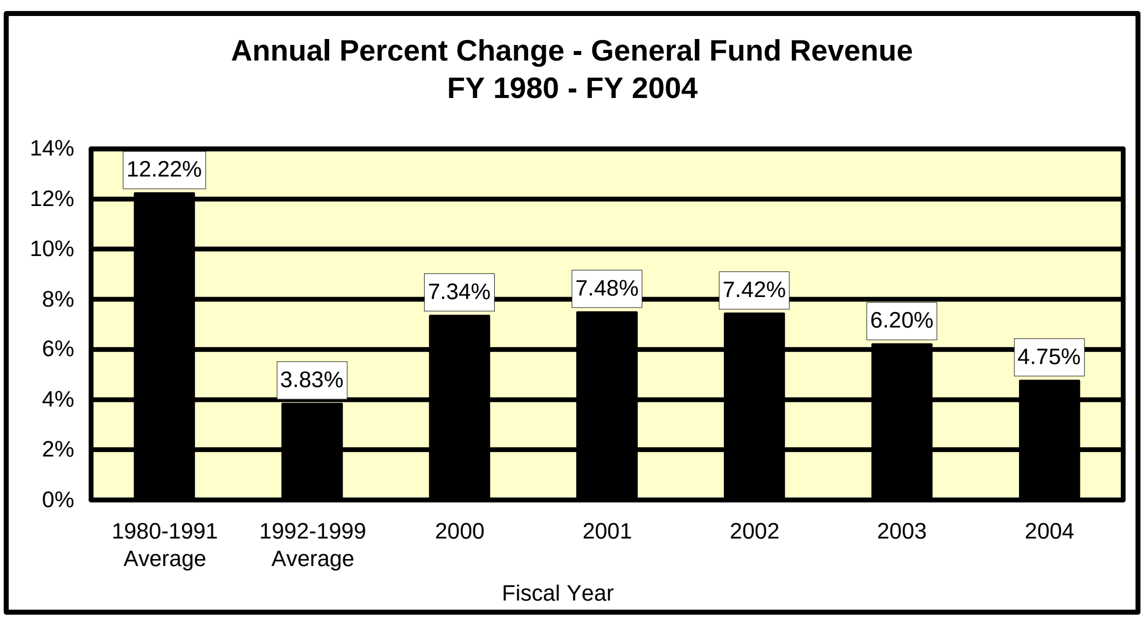
FY 2004 revenues are projected to increase $116,007,111, or 4.75 percent over the *FY 2003 Revised Budget Plan*. This level of revenue growth in FY 2004 is primarily due to a 12.48 percent increase in the Real Estate Tax base and a 2.1 percent increase in Personal Property Tax revenue.

Fees and Fares Review

At the Board of Supervisors' request, all County fees and fares were reviewed in order to maximize revenue and increase cost recovery in FY 2004, while maintaining consistency with surrounding jurisdictions. As a result of this review, General Fund fee increases, totaling $12.1 million in revenue, are included in the FY 2004 Budget. The majority of this increase is the result of a new tax on mobile telephone service, which is expected to generate $9.5 million in FY 2004. Current General Fund fees to be raised include animal shelter fees, recreation class fees, parking garage fees, fire marshal fees, on-site sewage and water fees, food safety fees, overdue book fees, parking violation fines, and zoning fees. In addition, a residential permit parking district decal fee is recommended to be instituted to offset the cost of the program. These General Fund adjustments are discussed in more detail in the following narrative. In addition to the General Fund fee increases, the E-911 fee is increased to $2.50 per line per month from $1.75 per line per month and is expected to generate $4.8 million. E-911 fees will be directed to Fund 120 to fund expenditures associated with the Public Safety Communications Center. Also, the base FAIRFAX CONNECTOR fare for local bus service is recommended to increase from $0.50 to $0.75 resulting in an additional $0.5 million in revenue. The increased fare will be consistent with surrounding localities and is anticipated to have a minimal effect on ridership. FAIRFAX CONNECTOR fare revenues are reflected in Fund 100, County Transit Systems.

Incorporating Transfers In, FY 2004 General Fund receipts are expected to be $2,560,328,347. The Transfer In to the General Fund reflects $1.4 million from Cable Communications for use of County rights of way and indirect support provided by General Fund agencies.

The following chart depicts General Fund revenue growth since FY 1980. From FY 1980 to FY 1991, average annual General Fund revenue growth exceeded 12 percent per year. From FY 1992 to FY 1999, however, General Fund revenues grew at a pace of only 3.8 percent annually. Beginning in FY 2000, moderate growth rates ranging from 4.8 percent to 7.5 percent have been experienced. Absent the FY 2004 Real Estate tax cut of $0.05, the General Fund revenue growth is 6.2 percent.



GENERAL FUND REVENUE OVERVIEW

Economic Indicators

The national economy has not recovered from the downturn that began in March 2001. Real economic growth, as measured by the Gross Domestic Product (GDP), increased 1.4 percent in the fourth quarter of 2002 and 1.6 percent in the first quarter of 2003—two modest gains that are attributed to bad weather and war. The national unemployment rate rose to 6.0 percent in April 2003. This is only the second time since August 1994 that the unemployment rate has reached 6.0 percent. Reductions in business investment and financial markets have contributed to the weak demand for workers.

Fairfax County's economy continued to struggle during 2002. Job growth slowed and the technology sector experienced layoffs. In 2002, the average unemployment rate was 3.0 percent compared to 1.9 percent in 2001 and 1.2 percent in 2000. County Sales Tax receipts in calendar year 2002 were down 1.4 percent. Substantial automobile purchases in 2002 did not impact County Sales Tax receipts, as there is no local sales tax on vehicles. After reducing interest rates 11 times in 2001 for a total of 475 basis points, the Federal Reserve held interest rates steady in calendar year 2002 until November, when rates were reduced an additional 50 basis points. As a result, the revenue estimate for Investment Interest was lowered at the *FY 2002 Carryover Review* and again during the fall 2002 revenue review for a total reduction of $16.5 million. The nonresidential housing market also did not fare well in 2002. The County's overall office vacancy rate rose from the 6.4 percent recorded at the end of 2001 to 12.1 percent by year-end 2002. The amount of sublet space on the market increased dramatically as the economy slowed and firms continued to downsize during 2002. Including sublet space, the year-end 2002 office vacancy rate was 18.8 percent.

Signs pointing to the possible direction of the national economy are mixed. Since 2002, the U.S. Leading Index of Economic Indicators has fluctuated around a flat trend, with a slight increase in April 2003. The Consumer Confidence Index, in contrast, fell drastically in February 2003 only to rise two months later to a level not seen since mid-year 2002. Consumer Confidence is one of ten indicators that make up the Leading Index and April's rise will be reflected in the index next month. While the swift and successful war in Iraq helped reduce consumers' short-term concerns, the economy will still be restricted by delays in business investment and slow job growth.

Fairfax County's economic indicators are not yet pointing to improvement in the local economy. Fairfax County's Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, is currently under-performing its 12-month moving average. The Fairfax County Leading Index's losses from the most recent four months have eliminated the slight gains from over the past year. Even after the economy begins to expand, it may take longer for improvements in the economy to translate into additional revenue growth in categories other than Real Estate. As long as interest rates remain low, the yield earned on County investments will be constrained. FY 2003 Sales Tax receipts, however, have increased in three of the last four months and are currently up a slight 1.1 percent over the same period of FY 2002. It is too early to determine if this upward trend will be maintained. Even after consumer confidence picks up, Sales Tax receipts are expected to grow a modest 2.0 percent in FY 2004. On the other hand, the residential housing market in Fairfax County is expected to remain strong throughout 2003. The supply of housing remains tight and demand is not expected to wane significantly. In FY 2004, Current and Delinquent Real Estate Tax revenues in Fairfax County comprise 58.4 percent of General Fund Revenue and are the major driver of overall revenue changes. FY 2004 Real Estate property values were established as of January 1, 2003 and reflect market activity through calendar year 2002. The Real Estate Tax base is projected to increase 12.48 percent in FY 2004, and is comprised of a 9.94 percent rise in total equalization (reassessment of existing residential and non-residential properties), and new growth of 2.54 percent. Residential properties gained 14.55 percent as a result of equalization, while the value of non-residential properties dropped 2.94 percent. New construction in the County increased the residential property base by 2.60 percent, whereas, the nonresidential base grew 2.36 percent due to new construction. The total value of residential property, representing 76.7 percent of the County's FY 2004 Real Estate Tax base, increased 17.15 percent, while the value of nonresidential property fell 0.58 percent.

The FY 2004 General Fund revenue estimates discussed in this section are based on a review of all relevant indicators, including the Fairfax County Economic Index, consultations with the County's economic advisor, Dr. Stephen Fuller, actual FY 2002 collections, and FY 2003 year-to-date trends.

MAJOR REVENUE SOURCES

The following major revenue categories comprise 98.4 percent of total FY 2004 General Fund revenue and are discussed in this section. Unless otherwise indicated, comparative data are presented relative to the FY 2004 Advertised Budget Plan. The revenue estimates for all General Fund Revenue categories are shown in the Summary Schedule of General Fund Revenues in the section of this volume entitled “Financial, Statistical, and Summary Tables.”

Category	FY 2002 Actual	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan	Change from the FY 2004 Advertised Budget Plan: Increase/ (Decrease)	Change from the FY 2004 Advertised Budget Plan: Percent Change
Real Estate Tax - Current	$1,225,980,110	$1,385,248,840	$1,522,070,207	$1,487,307,525	($34,762,682)	-2.28%
Personal Property Tax - Current	457,944,080	458,979,780	469,264,336	468,581,636	(682,700)	-0.15%
Paid Locally	271,626,651	259,284,808	264,608,220	263,925,520	(682,700)	-0.26%
Reimbursed by Commonwealth	186,317,429	199,694,972	204,656,116	204,656,116	0	0.00%
Local Sales Tax	125,577,043	123,775,568	126,246,519	126,246,519	0	0.00%
Recordation/Deed of Conveyance Taxes	19,807,587	22,903,561	16,329,979	16,329,979	0	0.00%
Vehicle Decal Fee	18,694,344	19,018,442	19,463,966	19,463,966	0	0.00%
Consumer Utility Tax	86,368,876	86,930,059	89,858,179	89,858,179	0	0.00%
Mobile Telephone Tax	0	0	0	9,500,000	9,500,000	--
Business, Professional and Occupational License Tax-Current	91,291,755	91,291,755	93,117,590	93,117,590	0	0.00%
Permits, Fees and Regulatory Licenses	28,609,183	26,468,562	28,371,322	26,851,322	(1,520,000)	-5.36%
Interest on Investments	25,424,651	13,433,065	13,433,065	13,433,065	0	0.00%
Charges for Services	35,241,909	37,301,691	38,771,557	38,148,727	(622,830)	-1.61%
Fines and Forfeitures	10,318,703	9,705,364	12,006,933	12,044,433	37,500	0.31%
Revenue from the Commonwealth and Federal Governments[1]	127,079,686	124,932,978	115,713,200	115,818,200	105,000	0.09%
Total Major Revenue Sources	**$2,252,337,927**	**$2,399,989,665**	**$2,544,646,853**	**$2,516,701,141**	**($27,945,712)**	**-1.10%**

[1] Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998.

GENERAL FUND REVENUE OVERVIEW

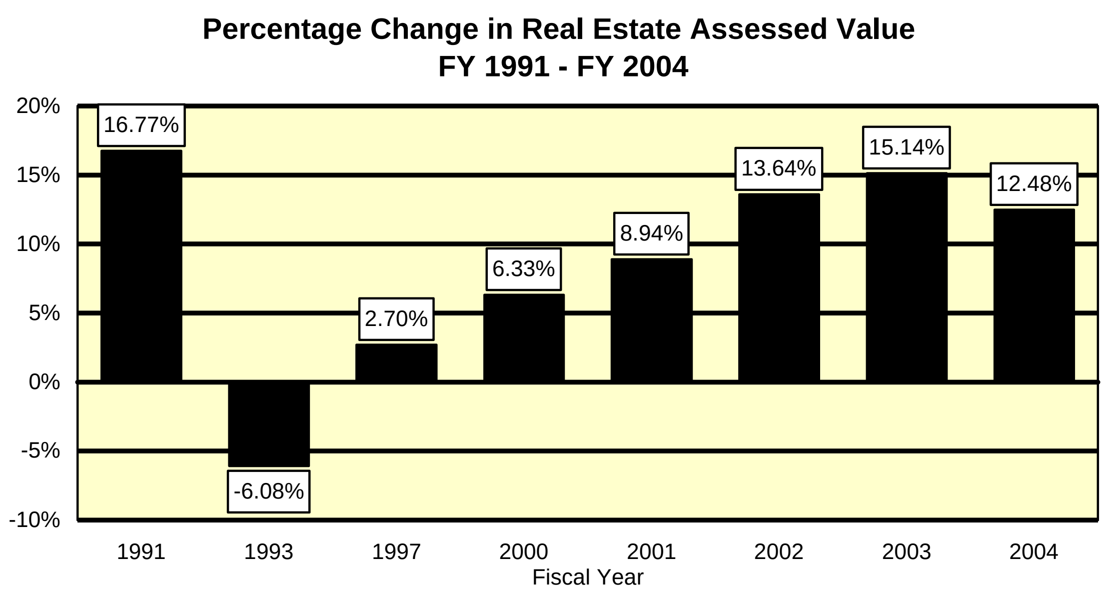
REAL ESTATE TAX-CURRENT

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$1,225,980,110	$1,385,248,840	$1,522,070,207	$1,487,307,525	($34,762,682)	-2.28%

The FY 2004 estimate for Current Real Estate Taxes of $1,487,307,525 reflects a decrease of $34,762,682, or 2.3 percent, from the FY 2004 Advertised Budget Plan estimate. This net decrease is primarily the result of the adoption of a $0.03 reduction in the Real Estate Tax rate in addition to the $0.02 cent reduction proposed by the County Executive. The Real Estate Tax rate is reduced from $1.21 per $100 of assessed value in FY 2003 to $1.16 per $100 of assessed value in FY 2004.

The loss in revenue associated with the adoption of the additional $0.03 reduction in the Real Estate Tax rate is $39,053,196. This reduction represents a loss of $38,370,496 in Real Estate Tax revenue and a loss of $682,700 in Personal Property Tax receipts. The Real Estate Tax rate impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property. Partially offsetting the $38.4 million decrease in Real Estate Tax revenue is an increase of $3.6 million associated with refinements to FY 2004 projections of exonerations, supplemental assessments, and tax relief based on anticipated FY 2003 year-end figures included in the *FY 2003 Revised Budget Plan*.

The FY 2004 Real Estate estimate is based on a 12.48 percent increase in the FY 2004 valuation of real property, as compared to the FY 2003 Real Estate Land Book. The FY 2004 estimate is comprised of an increase in equalization of 9.94 percent and an increase of 2.54 percent in new growth. The FY 2004 figures reflected herein are based on the final assessments for Tax Year 2003 (FY 2004), which was established as of January 1, 2003. . Throughout FY 2004, Real Estate Tax revenues will be adjusted as necessary to reflect changes in exonerations, tax abatements, and supplemental assessments, as well as any differences in the projected collection rate of 99.50 percent. The following chart shows changes in the County's assessed value base in FY 1991, FY 1993, FY 1997, and from FY 2000 to FY 2004.



Equalization	**11.51%**	**-6.48%**	**0.57%**	**2.96%**	**5.13%**	**9.70%**	**11.72%**	**9.94%**
Res	13.06	-3.74	-0.23	0.77	5.13	11.26	16.27	14.55
NonRes	7.85	-13.22	3.27	9.24	5.15	5.92	0.52	-2.94
Growth	**5.26**	**0.40**	**2.13**	**3.37**	**3.81**	**3.94**	**3.42**	**2.54**
Total	**16.77%**	**-6.08%**	**2.70%**	**6.33%**	**8.94%**	**13.64%**	**15.14%**	**12.48%**

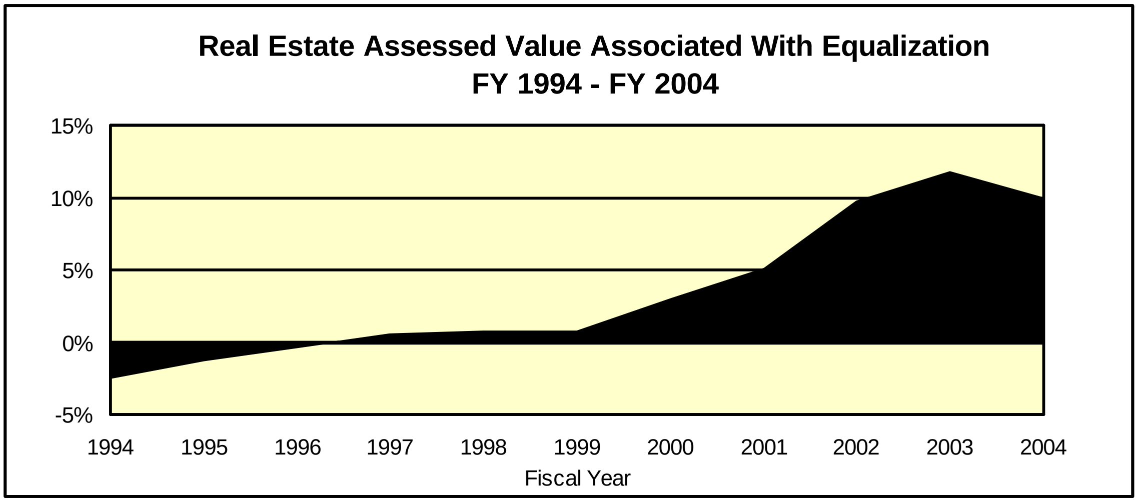
The FY 2004 **Main Assessment Book Value** is $129,247,150,810 and represents an increase of $14,344,561,385, or 12.48 percent, over the FY 2003 main assessment book value of $114,902,589,425. The FY 2004 increase is lower than that of the last two years when assessments rose 13.64 percent and 15.14 percent in FY 2002 and FY 2003, respectively. After increasing 16.8 percent in FY 1991, the assessment base declined an average of 2.8 percent from FY 1992 to FY 1994. After the recession, the value of real property increased at modest annual rates, averaging 2.5 percent from FY 1995 through FY 1999. It was not until FY 1999 that the assessment base exceeded its FY 1991 level. Since FY 1991, the assessment base has grown at an average annual rate of 4.5 percent and is now $129.2 billion.

The overall increase in the assessment base includes **equalization,** the reassessment of existing properties, and **normal growth**, which is associated with construction of new properties in Fairfax County. The FY 2004 assessment base reflects a significant increase in the values of existing residential properties of 14.55 percent, while nonresidential property values fell 2.94 percent, as a result of equalization. Nonresidential and residential properties experienced moderate growth due to new construction at 2.36 percent and 2.60 percent, respectively. As a result of these changes, the residential portion of the total assessment base rose from 73.7 percent in FY 2003 to 76.7 percent in FY 2004. The table below reflects changes in the Real Estate Tax assessment base from FY 1998 through FY 2004.

Main Real Estate Assessment Book Base Changes
(in millions)

Assessed Base Change Due To:	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Equalization	$567.7	$1,289.6	$2,241.4	$4,139.5	$8,522.9	$11,699.8	$11,428.5
% Change	0.80%	1.77%	2.96%	5.13%	9.70%	11.72%	9.94%
Residential	-0.50%	0.04%	0.77%	5.13%	11.26%	16.27%	14.55%
Nonresidential	5.05%	7.12%	9.24%	5.15%	5.92%	0.52%	-2.94%
Normal Growth	$1,369.7	$1,598.0	$2,556.9	$3,067.6	$3,456.3	$3,409.4	$2,916.1
% Change	1.93%	2.19%	3.37%	3.81%	3.94%	3.42%	2.54%
Total % Change	2.73%	3.96%	6.33%	8.94%	13.64%	15.14%	12.48%

Equalization, or reassessment of existing residential and nonresidential property, represents an increase in value of $11,428,473,130, or 9.94 percent in FY 2004. The increase in total equalization is due to a boost in residential property values and a decline in nonresidential property values. The significant increase in residential properties is a result of increased demand for homes in the County without a commensurate increase in the supply of existing homes. This trend mirrors that which is occurring on a regional and national basis. Changes in the assessment base as a result of equalization are shown in the following chart. The increase in the tax levy associated with the overall 9.94 percent increase in equalization is $132,570,288 based on a tax rate of $1.16 per $100 of assessed value.



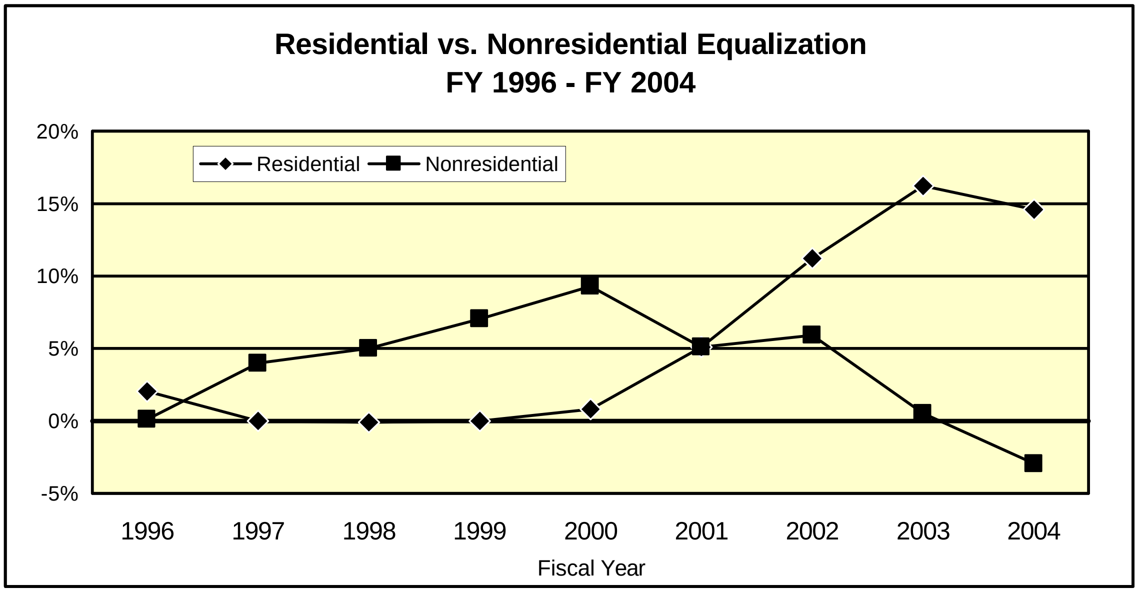
Not since the period from FY 1989 to FY 1991 has **residential** equalization experienced double digit growth for three consecutive years. Residential equalization declined notably from FY 1992 through FY 1994 due to the recession and then remained essentially flat from FY 1995 through FY 2000. Following a moderate increase in FY 2001, residential equalization rose 11.26 percent and 16.27 percent in FY 2002 and FY 2003, respectively. In FY 2004, overall residential equalization increased a robust 14.55 percent. This increase reflects the strength of the housing market in the County and throughout the Northern Virginia area. As a result of the sustained increases in both sales volume and sales price, the majority of residential properties in the County will receive valuation increases. It should be noted that the County's median assessment to sales ratio is in the low 90 percent range, well within professional assessing standards of 90 percent to 110 percent.

All types of residential property experienced increases in value in FY 2004. While townhouse and condominium property values experienced significant increases due to equalization, changes in the assessed value of single family homes have had the most impact on the total residential base because they represent 74.6 percent of the total. Changes in residential equalization by housing type since FY 2000 are shown in the following table. It should be noted that changes represented in this chart are for the category as a whole. Individual neighborhoods and properties may have increased or decreased by different percentages based on neighborhood selling prices.

Residential Equalization Changes

Housing Type/ (Percent of Base)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Single Family (74.6%)	1.26%	6.43%	12.08%	16.14%	14.15%
Townhouse/Duplex (18.4%)	-0.16%	2.22%	10.98%	18.56%	17.00%
Condominiums (6.0%)	-1.96%	1.17%	10.30%	21.19%	20.09%
Vacant Land (0.7%)	1.24%	9.84%	7.90%	15.23%	23.23%
Other (0.2%)[1]	0.49%	1.38%	5.73%	3.00%	2.58%
Total Residential Equalization (100%)	**0.77%**	**5.13%**	**11.26%**	**16.27%**	**14.55%**

[1] Includes, for example, affordable dwelling units, recreational use properties, and agricultural and forestal land use properties.



Based on the increase in residential equalization, the mean assessed value of all residential property in the County is $317,240. This is an increase of $40,295 over the FY 2003 value of $276,945. Compared to FY 2003, the typical residential annual tax bill will increase $328.95 in FY 2004, on average, based on the reduced tax rate of $1.16 per $100 of assessed value in FY 2004.

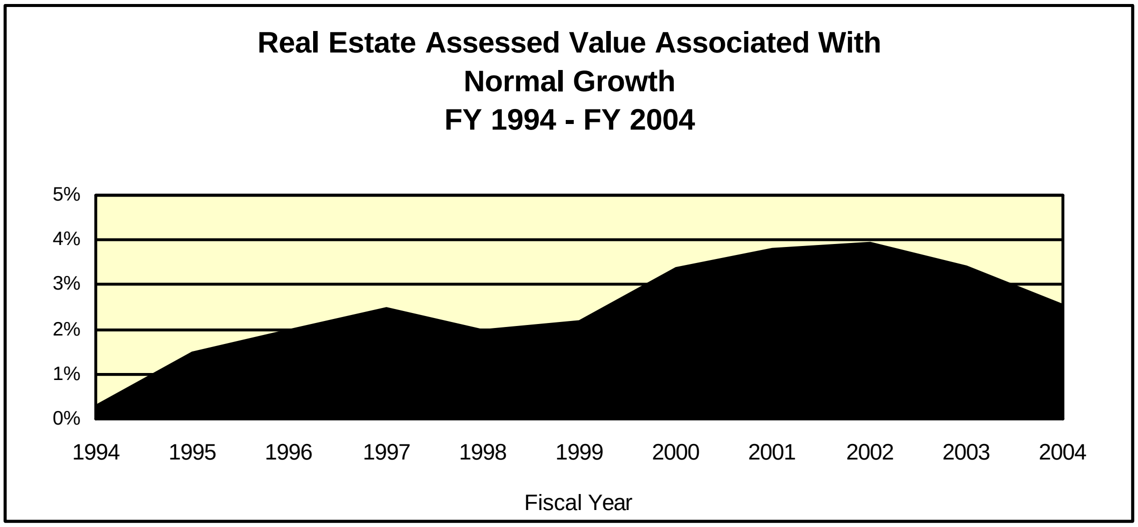
Nonresidential equalization experienced a decline of 2.94 percent in FY 2004, the first decrease since FY 1996. As a result of rising office vacancy rates, increased supply, and recent sales activity, the values of elevator offices (mid- and high-rises), which comprise 40.2 percent of the nonresidential tax base, fell 10.73 percent. This significant decline follows a reduction of 2.48 percent in FY 2003. Prior to FY 2003, the last time the value of elevator office property declined was the period FY 1992 through FY 1996. As the economy has slowed, office space that many companies had leased or purchased in anticipation of expansion has not been needed. As such, the amount of office space available for sublease has increased. The Economic Development Authority recently reported that the office vacancy rate jumped to 10.2 percent during the first half of 2002, up from 6.4 percent at year-end 2001. Including sublet space, the office vacancy rate is 16.5 percent. Low-rise office property also declined in value but to a lesser extent, 6.27 percent. After dropping 15.39 percent in FY 2003, the value in hotel property continued to fall in FY 2004 at a rate of 6.23 percent. Retail property increased in value in FY 2004. Regional malls experienced an increase of 6.95 percent while other retail properties increased 2.91 percent in FY 2004. Nonresidential equalization changes by category since FY 2000 are presented in the following table.

Nonresidential Equalization Changes

Category / Percent of Base	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Apartments (17.2%)	3.43%	3.54%	6.53%	9.59%	3.86%
Office Condominiums (2.4%)	0.48%	2.08%	4.95%	7.75%	15.63%
Industrial (8.2%)	10.55%	7.46%	7.25%	2.08%	-1.29%
Retail (12.0%)	4.49%	2.73%	2.84%	1.91%	2.91%
Regional Malls (3.2%)	3.08%	0.87%	2.20%	0.34%	6.95%
Office Elevator (40.2%)	16.20%	6.74%	6.54%	-2.48%	-10.73%
Office - Low Rise (4.2%)	10.95%	6.05%	7.30%	1.46%	-6.27%
Vacant Land (3.6%)	19.86%	5.96%	6.36%	-0.08%	-6.55%
Hotels (4.0%)	24.40%	7.16%	6.58%	-15.39%	-6.23%
Other (5.0%)	4.88%	2.62%	6.35%	3.02%	6.00%
Nonresidential Equalization	**9.24%**	**5.15%**	**5.92%**	**0.52%**	**-2.94%**

GENERAL FUND REVENUE OVERVIEW

Normal Growth of $2,916,088,255, or 2.54 percent, over the FY 2003 assessment book value results from new construction, new subdivisions, and rezonings. This level of growth is somewhat lower than the 3.94 percent and 3.42 percent increases realized in FY 2002 and FY 2003 (see following chart). During the construction boom of the 1980s, average growth of 6.9 percent was experienced. Since FY 1995, the value of property added to the tax base due to new construction has ranged from 1.93 percent to 3.94 percent. In FY 2004, the residential and non-residential property bases experienced similar rates of increase due to new construction, advancing 2.60 percent and 2.36 percent, respectively. The total rate of growth due to new construction is consistent with activity in the housing and commercial building industry throughout the Washington metropolitan area.



In addition to the final equalization and normal growth adjustments in the Main Assessment Book, the following projected adjustments were made to the FY 2004 Real Estate Tax revenue estimate:

Additional Assessments expected to be included in the new Real Estate base are prorated assessments under the Norfolk Plan of $440.0 million and additional supplemental assessments of $60.0 million. The Norfolk Plan assessments are supplemental assessments, which are made during the year for new construction that is completed subsequent to finalizing the original assessment book. Supplemental assessments may also result due to changes in ownership or tax exempt status. The total value of the supplemental assessments will be closely monitored based on new construction and building permit activity.

Exonerations, Certificates and Tax Abatements are anticipated to reduce the Real Estate assessment base by $692.0 million in FY 2004, an additional $142.0 million over FY 2003. This increase is due to rising property values and an increase in tax abatements associated with the County's revitalization effort. Each $100.0 million change in the level of exonerations, certificates and tax abatements is equivalent to a change of $1.2 million in tax levy.

Tax Relief for the Elderly and Disabled is projected to reduce the Real Estate assessment base in FY 2004 by $1,000.0 million. During FY 2001 and FY 2002, the income limits associated with the Real Estate Tax Relief Program for the Elderly and Disabled were expanded as approved by the Board of Supervisors. The income limits of the Tax Relief program have remained the same since FY 2002. These limits provide 100 percent exemption for elderly and disabled taxpayers with incomes up to $40,000; 50 percent exemption for eligible applicants with income between $40,001 and $46,000; and 25 percent exemption if income is between $46,001 and $52,000. As part of the FY 2003 Budget, the Board of Supervisors approved an increase in the allowable asset limit from $150,000 to $160,000 for all ranges of tax relief. The allowable asset limit remains at $160,000 in FY 2004. The table below presents income thresholds for the Tax Relief Program for the Elderly and Disabled since FY 2000.

Real Estate Tax Relief for the Elderly and Disabled

	Income Limit	Percent Relief
FY 2000	Up to $30,000	100%
	Over $30,000 to $35,000	50%
	Over $35,000 to $40,000	25%
FY 2001	Up to $35,000	100%
	Over $35,000 to $40,000	50%
	Over $40,000 to $46,000	25%
FY 2002 - FY 2004	Up to $40,000	100%
	Over $40,000 to $46,000	50%
	Over $46,000 to $52,000	25%

The FY 2004 local assessment base of $128,055,119,570 is derived from the main assessment book and subsequent adjustments discussed above. From this local assessment base, a local tax levy of $1,485,439,387 is calculated using a tax rate of $1.16 per $100 of assessed value. Based on an expected local collection rate of 99.50 percent, revenue from local assessments is estimated to be $1,478,012,190. In FY 2004, every 0.1 percentage point change in the collection rate on the locally assessed Real Estate Tax levy yields a revenue change of $1.5 million, while every penny on the tax rate yields $13.0 million in revenue.

Added to the local assessment base is an estimated $801,322,001 in assessed value for Public Service Corporations (PSC) property. Using a rate of $1.16 per $100 of assessed value, the tax levy on PSC property is $9,295,335. The collection rate on PSC property is expected to be 100.0 percent.

The total assessment base, including Public Service Corporations, is $128,856,441,571 with a total tax levy of $1,494,734,722 at the $1.16 per $100 assessed value tax rate. Estimated FY 2004 revenue from the Real Estate Tax, including receipts from Public Service Corporations, totals $1,487,307,525 at the $1.16 per $100 assessed value tax rate, and reflects an overall collection rate of 99.50 percent. The total collection rates experienced in this category since FY 1989 are shown in the following table:

Real Estate Tax Collection Rates

Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1989	99.59%	**1997**	99.56%
1990	99.49%	**1998**	99.54%
1991	98.96%	**1999**	99.50%
1992	98.87%	**2000**	99.63%
1993	99.03%	**2001**	99.53%
1994	99.15%	**2002**	99.65%
1995	99.32%	**2003 (estimated)**	99.50%
1996	99.47%	**2004 (estimated)[1]**	99.50%

[1] In FY 2004, every 0.1 percentage point change in the collection rate yields a revenue change of $1,520,135.

The Commercial/Industrial percentage of the County's Real Estate Tax base is 19.14 percent, a drop of 2.83 percentage points from the FY 2003 level of 21.97 percent. This reduction is due to the increase in the residential portion of the Real Estate Tax base and the decline in the nonresidential portion. The Commercial/Industrial percentage is only slightly higher than its previous low of 19.04 percent in FY 1996. The Commercial/Industrial percentage is based on Virginia land use codes and excludes multi-family rental apartments, which comprises 4.16 percent of the County's Real Estate Tax base in FY 2004. Fairfax County's historical Commercial/Industrial percentages are detailed in the following table:

Commercial/Industrial Percentages

Fiscal Year	Percentage	Fiscal Year	Percentage
1989	26.73%	**1997**	19.56%
1990	26.76%	**1998**	20.47%
1991	26.25%	**1999**	21.84%
1992	25.66%	**2000**	24.32%
1993	22.82%	**2001**	25.37%
1994	20.94%	**2002**	24.84%
1995	19.59%	**2003**	21.97%
1996	19.04%	**2004**	19.14%

GENERAL FUND REVENUE OVERVIEW

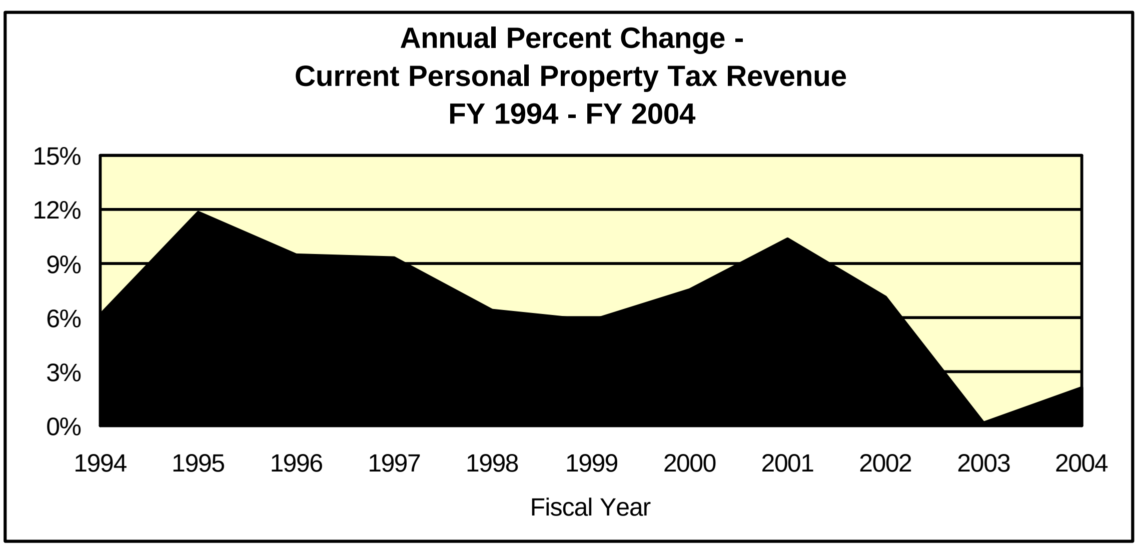
PERSONAL PROPERTY TAX-CURRENT

	FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
Paid Locally	$271,626,651	$259,284,808	$264,608,220	$263,925,520	($682,700)	-0.26%
Reimbursed by State	186,317,429	199,694,972	204,656,116	204,656,116	$0	0.00%
Total	$457,944,080	$458,979,780	$469,264,336	$468,581,636	($682,700)	-0.15%

The FY 2004 estimate for Personal Property Tax revenue of $468,581,636 represents a decrease of $682,700, or 0.2 percent, from the FY 2004 Advertised Budget Plan. This decrease is the result of the adoption of a $0.03 reduction in the Real Estate Tax rate in addition to the $0.02 cent reduction included in the FY 2004 Advertised Budget Plan for a total $0.05 reduction. The Real Estate Tax rate impacts two classes of personal property: mobile homes and non-vehicle Public Service Corporation property.

The Personal Property Tax estimate is comprised of two parts, that which is paid by citizens locally and that which is reimbursed by the Commonwealth of Virginia to the County as a result of the Personal Property Tax Relief Act (PPTRA) of 1998. The PPTRA phases out the Personal Property Tax on the first $20,000 of the value for vehicles owned by individuals. In FY 1999, the first year of implementation, taxpayers were billed for the entire amount of tax levy and received a refund of 12.5 percent of the tax on the first $20,000 of the value of their personal vehicle from the Commonwealth of Virginia. Vehicles valued less than $1,000 were refunded 100 percent. From FY 2000 to FY 2002, the PPTRA reduced the Personal Property Taxes paid by citizens by 27.5 percent, 47.5 percent, and 70 percent, respectively with an offsetting reimbursement paid to the County by the Commonwealth. Under the original approved plan, taxes paid by individuals were to be reduced by 100 percent in FY 2003. However, due to the State's lower than anticipated General Fund revenue growth, the reimbursement rate will remain at 70 percent in FY 2003 and FY 2004. The PPTRA has no impact on the assessment or projection of Personal Property Tax revenues; therefore, for purposes of this narrative, aspects of the total Personal Property Tax will be discussed.

The Personal Property Tax consists of two major components: vehicles and business personal property. The vehicle component, which represents nearly 71 percent of the total category in FY 2004, is the major driver of the overall category. Both the vehicle and business components, however, are sensitive to changes in the national and local economies. Annual changes in total Personal Property Tax revenues are shown in the following chart.



Total Personal Property Tax revenues experienced average annual growth of 10.2 percent from FY 1994 through FY 1997. More moderate gains of 6.4, 5.9, and 7.5 percent in total Personal Property Tax revenue were experienced in FY 1998 through FY 2000, respectively. Strong job growth and business expansion pushed total Personal Property Tax growth to 10.4 percent in FY 2001 and 7.1 percent in FY 2002. In FY 2003, Personal Property Taxes are anticipated to remain relatively flat, advancing only 0.2 percent. This rate of growth is due to a slight increase in the vehicle levy, offset by reduced business purchases due to the sluggish local economy and a reduction in the computer depreciation schedule for equipment that was purchased one to three years previously. To encourage sales of vehicles, many automakers have kept the price of new model vehicles low and offered incentives such as rebates and zero percent financing in order to boost vehicle sales. These actions have resulted in a healthy 3.1 percent increase in the County's vehicle volume in FY 2003. The modest 0.5 percent rate of growth in average levy results from vehicles purchased late in the year that will incur a partial year assessment in FY 2003, as well as vehicle prices holding steady.

The FY 2004 estimate incorporates an increase of 1.6 percent in the average vehicle levy from $371 to $377. This rise is the result of vehicles purchased during FY 2003 that will now be levied for a full year. According to the National Automobile Dealers' Association (NADA), vehicle purchases are expected to slow in the coming year as vehicle sales have been incredibly strong for four years now; interest rates are unlikely to go much lower; and, refinancing is expected to slow which has freed up cash for vehicle purchases. The FY 2004 volume of vehicles is projected to increase 1.5 percent, less than half the increase expected in FY 2003. Incorporating changes in average levy and volume, the overall vehicle component of the Personal Property Tax base is expected to increase 3.1 percent in FY 2004. Changes in vehicle volume and levy since FY 1998 are shown in the following table.

Personal Property Vehicles

Fiscal Year	Growth in Vehicle Volume	Average Vehicle Levy	Growth in Average Levy
FY 1998	2.6%	$315	1.6%
FY 1999	3.2%	$320	1.7%
FY 2000	4.2%	$336	4.9%
FY 2001	4.5%	$359	6.9%
FY 2002	2.3%	$369	2.8%
FY 2003 (est.)	3.1%	$371	0.5%
FY 2004 (est.)	1.5%	$377	1.6%

Business Personal Property is primarily comprised of assessments on furniture and fixtures and computer equipment. Growth in the business component is mainly associated with increased purchases from existing companies. Business levy experienced significant growth of 14.8 percent in FY 2002 as a result of purchases of new equipment during calendar year 2001. As the economy slowed in 2002, business expansion dropped and a number of businesses closed or filed for bankruptcy. As a result, the number of companies is expected to fall in FY 2003 and FY 2004 by 0.5 percent and 0.3 percent, respectively. Purchases of new equipment are also expected to decline due to the lackluster economy. In addition, changes in the computer depreciation schedule have reduced business levy by $5.1 million in FY 2003 and $1.4 million in FY 2004.

In accordance with assessment principles and the *Code of Virginia*, which require that property is taxed at fair market value, the Department of Tax Administration (DTA) annually reviews the depreciation rate schedule for computer hardware due to the speed with which computer values change. To reflect market trends, the computer depreciation schedule was adjusted in FY 1999, FY 2000, FY 2001, and FY 2003. Based on current trends, the computer depreciation schedule for equipment purchased one year prior will be adjusted in FY 2004 to further accelerate the depreciation of computer equipment. This change to the computer depreciation schedule is anticipated to reduce Personal Property revenue by approximately $1.4 million. Previous and current computer depreciation schedules are shown in the following table. The percentages from the depreciation schedule are applied to the original purchase price of the computer equipment to determine its fair market value. Personal Property Taxes are then levied on this value. Fairfax County's FY 2004 computer depreciation schedule reduces the value upon which the tax is levied more rapidly than any other Northern Virginia locality.

Computer Depreciation Schedules
FY 1998 - FY 2004
Percent of Original Purchase Price Taxed

Year of Acquisition	FY 1998	FY 1999	FY 2000	FY 2001 and FY 2002	FY 2003	FY 2004
1	80%	65%	60%	60%	55%	50%
2	55%	45%	40%	40%	35%	35%
3	35%	30%	30%	25%	20%	20%
4	10%	10%	10%	10%	10%	10%
5 or more	10%	2%	2%	2%	2%	2%

Personal Property Tax revenue estimates are based on a tax rate of $4.57 per $100 of valuation for vehicles and business property, and $1.16 per $100 of valuation for mobile homes and non-vehicle Public Service Corporations properties. The following table details the estimated assessed value and associated levy for components of the Personal Property Tax.

FY 2004 Estimated Personal Property Assessments and Tax Levy

Category	FY 2004 Assessed Value	Tax Rate (per $100)	FY 2004 Tax Levy	Percent of Total Levy
Vehicles				
Privately Owned	$8,315,081,943	$4.57	$303,579,968	62.8%
Business Owned	379,763,826	4.57	14,265,098	3.0%
Leased	686,505,134	4.57	23,431,190	4.8%
Subtotal	$9,381,350,903		$341,276,256	70.6%
Business Personal Property				
Furniture and Fixtures	$1,504,740,788	$4.57	$68,766,654	14.2%
Computer Equipment	803,165,816	4.57	36,705,631	7.6%
Machinery and Tools	130,166,930	4.57	5,948,629	1.2%
Research and Development	6,313,036	4.57	288,506	0.1%
Subtotal	$2,444,386,570		$111,709,420	23.1%
Public Service Corporations				
Equalized	$2,254,045,378	$1.16	$26,146,926	5.4%
Vehicles	10,469,387	4.57	478,451	0.1%
Subtotal	$2,264,514,765		$26,625,377	5.5%
Other				
Mobile Homes	$18,732,913	$1.16	$217,302	0.0%
Other (Trailers, Misc.)	8,396,208	4.57	303,947	0.1%
Subtotal	$27,129,121		$521,249	0.1%
Penalty for Late Filing			$3,342,629	0.7%
TOTAL	**$14,117,381,359**		**$483,474,931**	**100.0%**

A collection rate of 96.74 percent is applied to the total local tax levy for FY 2004, a rate that is consistent with the rate projected for FY 2003. Applying the projected collection rate to the local levy estimate for FY 2004, results in projected tax revenue of $441,956,259. In addition, it is projected that a 100.0 percent collection rate will be achieved on the Public Service Corporations tax levy of $26,625,377. The resulting collection rate for all categories of personal property is estimated to be 96.9 percent and is shown in the following table with historical collection rates.

Total Personal Property Tax Collection Rates

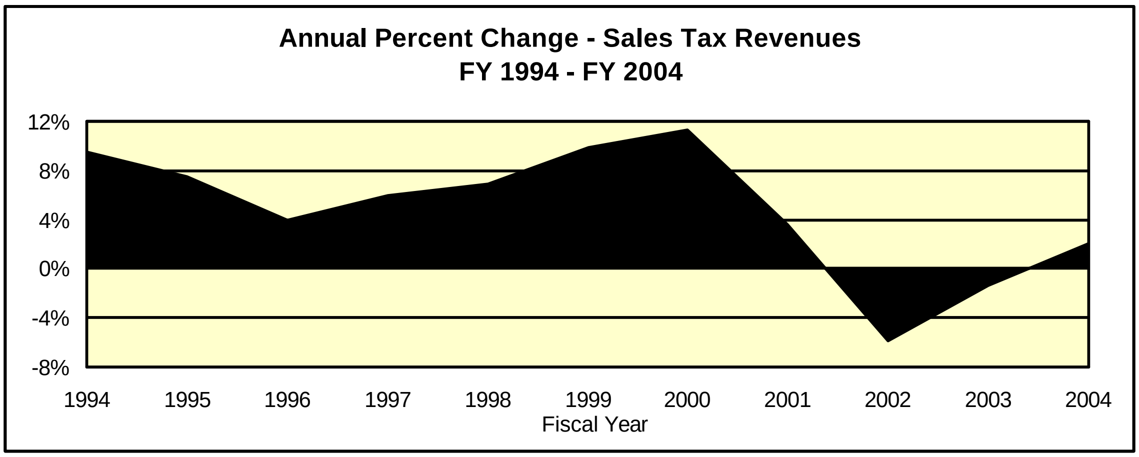
Fiscal Year	Collection Rate	Fiscal Year	Collection Rate
1989	96.3%	**1997**	97.3%
1990	96.2%	**1998**	97.3%
1991	95.5%	**1999**	97.3%
1992	94.4%	**2000**	97.3%
1993	96.0%	**2001**	97.1%
1994	95.6%	**2002**	96.3%
1995	96.8%	**2003 (estimated)**	96.9%
1996	97.2%	**2004 (estimated)**[1]	96.9%

[1] Each 0.1 percentage point change in the collection rate on the local tax levy will impact revenues by approximately $0.5 million, and each penny on the tax rate yields a revenue change of $1.0 million.

LOCAL SALES TAX

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$125,577,043	$123,775,568	$126,246,519	$126,246,519	$0	0.00%

The FY 2004 estimate for Sales Tax receipts of $126,246,519 reflects no change from the FY 2004 Advertised Budget Plan estimate and represents an increase of $2,470,951, or 2.0 percent, over the *FY 2003 Revised Budget Plan*. This increase reflects the expectation that the local economy will slightly improve in FY 2004. An econometric model using the Fairfax County Leading Index as a predictor is used to assist in projecting Sales Tax receipts.



In FY 2002, Sales Tax receipts dropped 5.9 percent from the level achieved in FY 2001. This decrease represents only the second time in 30 years that Sales Tax receipts have fallen from their previous year's level (in FY 1991, Sales Tax revenues dropped 4.5 percent from FY 1990.) The FY 2003 Adopted Budget Plan estimate represented growth of 1.1 percent over FY 2002 actual receipts. During the *FY 2002 Carryover Review*, this estimate was lowered $1.3 million to a level consistent with FY 2002. Because Sales Tax receipts continued to decline during the first half of FY 2003, the estimate for FY 2003 receipts was reduced an additional $1.8 million during the Third Quarter Review representing a loss of 1.4 percent from FY 2002 receipts. Since Third Quarter, FY 2003 Sales Tax collections have increased slightly. Sales Tax receipts through May, representing retail purchases from June through March are up 1.1 percent. If Sales Tax receipts continue to rise at a 1.1 percent rate for the last two months of the fiscal year, an increase of $3.0 million over the *FY 2003 Revised Budget Plan* could occur. The local economy is expected to pick up in FY 2004. As the economy improves, consumer confidence is expected to rise and consumer and business spending are expected to increase. The FY 2004 estimate for Sales Tax receipts reflects an increase of 2.0 percent over the *FY 2003 Revised Budget Plan*.

GENERAL FUND REVENUE OVERVIEW

RECORDATION/DEED OF CONVEYANCE TAXES

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$19,807,587	$22,903,561	$16,329,979	$16,329,979	$0	0.00%

The FY 2004 estimate of $16,329,979 reflects no change from the FY 2004 Advertised Budget Plan and represents a decrease of $6,573,582, or 28.7 percent, from the *FY 2003 Revised Budget Plan*. The FY 2004 estimate is comprised of $11,854,054 in Recordation Tax revenues and $4,475,925 in Deed of Conveyance Tax revenues. Recordation and Deed of Conveyance Taxes are levied in association with the sale or transfer of real property located in the County. Recordation Taxes are also levied when mortgages on property located in the County are refinanced, making Recordation Tax revenues more sensitive to interest rate fluctuations than Deed of Conveyance Tax revenues.

During the first ten months of FY 2003, Recordation revenues have increased 39.8 percent and Deed of Conveyance revenues have risen 16.7 percent over the same period in FY 2002. Receipts in these categories have grown due to the continued strong demand relative to housing supply as well as rising median sales prices. Increased mortgage refinancing due to low mortgage rates have also boosted Recordation collections.

In FY 2004, Recordation and Deed of Conveyance receipts are expected to fall from their FY 2003 level as interest rates are projected to increase by the third quarter of CY 2003 and mortgage refinancing is anticipated to drop. These interest rate projections are used in an econometric model that assists in developing estimates for these categories.

VEHICLE DECAL FEE

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$18,694,344	$19,018,442	$19,463,966	$19,463,966	$0	0.00%

The FY 2004 estimate of $19,463,966 for Vehicle Decal revenue represents no change from the FY 2004 Advertised Budget Plan and represents an increase of $445,524, or 2.3 percent, over the *FY 2003 Revised Budget Plan* estimate. This growth rate is consistent with historical trends.

In FY 2004, an Advance Decal Sales program will be implemented. Advance vehicle decals will be provided to citizens with no delinquent taxes by mailing the decal with personal property tax bills. This action will result in net cost savings of $0.5 million. While this program is not anticipated to impact revenues, collections will be monitored to ensure that no decrease occurs. Vehicle Decal Tax rates remain unchanged in FY 2004 at $25 for passenger vehicles; $18 for motorcycles; and $23 for certain passenger vehicles used for compensation, e.g., taxis. The renewal date for vehicle decals is October 5, linking vehicle decals with the payment due date for Personal Property Taxes.

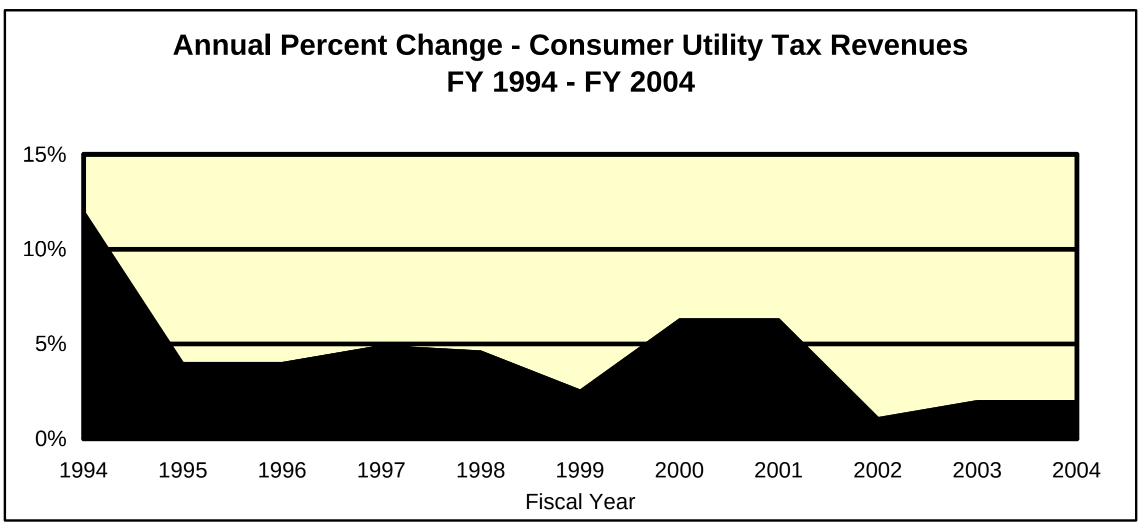
CONSUMER UTILITY TAX

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$86,368,876	$86,930,059	$89,858,179	$89,858,179	$0	0.00%

The FY 2004 estimate for Consumer Utility Taxes of $89,858,179 reflects no change from the FY 2004 Advertised Budget Plan and represents an increase of $2,928,120, or 3.4 percent, over the *FY 2003 Revised Budget Plan* estimate. County residents and businesses are subject to Consumer Utility Taxes based on their consumption of electricity, gas, and telephone services. The FY 2004 estimate is comprised of $34,302,576 in taxes on electric service, $46,877,414 in taxes on telephone service, and $8,678,189 in taxes on gas service. Historically taxes on telephone services grow at a faster rate than other consumer utilities.

Predicting Utility Tax revenues is difficult due to the variability of commercial usage and weather. Consumer Utility Tax revenues are monitored on a monthly basis. An annual econometric model, which examines the trend over time in Consumer Utility Tax revenues, and several monthly statistical models, which take into account seasonal fluctuations and historical trends in Consumer Utility Tax revenues, are used to track and forecast these revenues.

The Virginia General Assembly approved deregulation of the electric and gas utility industries beginning in 2001. Under competition, users may purchase electricity and gas from a vendor other than Virginia Power, Northern Virginia Electric Cooperative, Washington Gas, or Columbia Gas. However, these companies are still responsible for distributing the electricity and natural gas to consumers in Fairfax County. The legislation governing deregulation required the County to change the way it levies the Consumer Utility Tax from a method based on the dollar amount of the bill, to a new method based on usage (kilowatt-hours for electricity and per 100 cubic feet for gas). To comply with the legislation, the Board of Supervisors adopted new consumption-based rates in October 2000, which became effective January 1, 2001. These rates, which are shown in the Financial, Statistical, and Summary Tables Section, were designed to be revenue-neutral with the previous method of tax calculation.



MOBILE TELEPHONE TAX

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$0	$0	$0	$9,500,000	$9,500,000	--

The FY 2004 estimate for Mobile Telephone Tax receipts is $9,500,000. The Board of Supervisors authorized a tax of ten percent on a consumer's gross charges up to a maximum of $30 per month for mobile local telecommunications (1994 Virginia Acts, Chapter 560 of VA Code Section 58.1-3812 as amended). The maximum monthly rate will be $3 per bill, or $36 per year. The new tax will go into effect on September 1, 2003. This date allows for the statutory requirement that providers of telecommunications service shall be notified 120 days prior to tax and tax rate changes. The Mobile Telephone Tax will be collected by the mobile service provider and remitted to the County monthly.

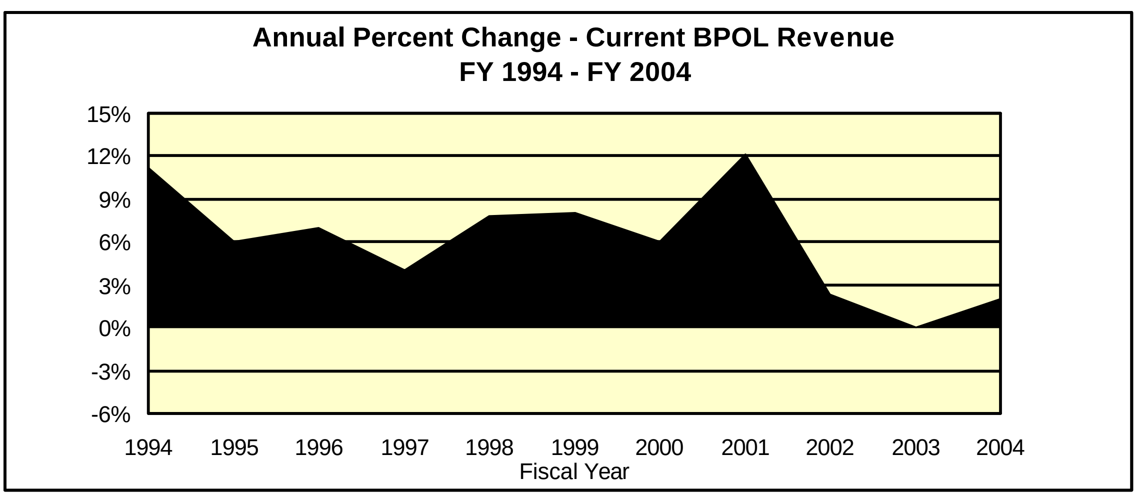
BUSINESS, PROFESSIONAL AND OCCUPATIONAL LICENSE TAX-CURRENT

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$91,291,755	$91,291,755	$93,117,590	$93,117,590	$0	0.00%

The FY 2004 estimate for Business, Professional and Occupational License Taxes (BPOL) of $93,117,590 reflects no change from the FY 2004 Advertised Budget Plan and reflects an increase of $1,825,835, or 2.0 percent, over the *FY 2003 Revised Budget Plan* estimate. This growth rate is consistent with the expected increase in Sales Tax receipts, which was discussed earlier in this section and reflects modest economic expansion in FY 2004.

In FY 2002, BPOL receipts experienced growth of 2.3 percent over FY 2001. Real estate related businesses including Money Lenders, Contractors, Builders, and Developers grew 7.0 percent. The Retail Merchants category, which comprises approximately 23 percent of total BPOL receipts, grew at a rate of only 0.2 percent in FY 2002.

Businesses file and pay their BPOL Taxes simultaneously on March 1 each year based on their gross receipts during the previous calendar year. As a result, there is little actual data available at this time to refine estimates for FY 2003 and develop projections for FY 2004. Since home buying and refinancings have continued to increase, real estate related businesses are expected to experience moderate growth in 2003 and 2004. The retail sector, however, was weak during calendar year 2002. Based on these assumptions and an econometric model using Sales Tax receipts and mortgage interest rates as predictors, the FY 2003 estimate for BPOL was increased $4,136,867 during the fall 2002 review of revenues. This estimate represents a level of revenue consistent with actual FY 2002 receipts. In FY 2004, BPOL revenues are expected to experience modest 2.0 percent growth. Historical and projected changes in BPOL receipts are presented in the following chart.



PERMITS, FEES AND REGULATORY LICENSES

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$28,609,183	$26,468,562	$28,371,322	$26,851,322	($1,520,000)	-5.36%

The FY 2004 estimate for Permits, Fees and Regulatory Licenses is $26,851,322, a decrease of $1,520,000, or 5.4 percent, from the FY 2004 Advertised Budget Plan estimate. This decrease is due to an anticipated reduction in Department of Public Works and Environmental Services (DPWES) revenue offset by an increase of $80,000 resulting from the institution of a Non-residential Use Permit.

The major component of the Permit, Fees, and Regulatory Licenses category are fees charged by DPWES for planning, building and site permits. These fees are projected to be $21.0 million in FY 2003. The FY 2003 revenue estimate for this category was reduced $1.6 million during Third Quarter review as a result of lower than anticipated year-to-date receipts. Through May, DPWES revenue is trailing last year by a 7.2 percent margin.

Twenty-four individual fee categories comprise DPWES Fee revenue. Changes in DPWES revenue are a reflection of the housing market and construction industry, as well as the size and complexity of projects submitted to DPWES for review. Two of the most important indicators of workload, and consequently revenue, are the number of building permits issued, and the number of new site, subdivision and public improvement plans submitted to DPWES for review. The number of new single family residential building permits issued by the County through May 2003 is down 11.7 percent over the same period of 2002. In addition, due to the County's high office vacancy rates, few nonresidential building permits have been issued and are not expected to rise in the coming year as a result of the sluggish economy and the availability of office space for rent. The number of new site, subdivision and public improvement plans submitted to DPWES has declined from 217 during the first ten months of FY 2002 to 188 during the same period of FY 2003, a drop of 13.4 percent.

The FY 2004 increase of $382,760 over the *FY 2003 Revised Budget Plan* in this category is primarily due to fee increases. At the Board of Supervisors' request, a review of all County fees and fares was conducted in order to maximize revenue and increase cost recovery in FY 2004 which maintaining consistency with surrounding jurisdictions. Fire Marshal fees, which are charged for acceptance testing of fire systems in new and existing buildings, as well as for inspections of building occupancy and review of evacuation plans, will be increased to $96.00 per hour per inspector. Previously these fees were $76.00 per hour per inspector except for retesting of an existing building which was $88.00 per hour per inspector. This change, consistent with surrounding jurisdictions, is expected to generate additional revenue of $160,000 in FY 2004. Zoning Fees, which are charged for applications for special exceptions and rezonings are increasing 15 percent, resulting in additional revenue of $153,104. In addition, various fees relating to the review of site plans on lots served by septic systems are increasing in order to be comparable to other local jurisdictions resulting in revenue of $83,680. Also, fees charged for review of plans for new or renovated public establishments will increase from $135 to $200, generating revenue of $22,400.

GENERAL FUND REVENUE OVERVIEW

INTEREST ON INVESTMENTS

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$25,424,651	$13,433,065	$13,433,065	$13,433,065	$0	0.00%

The FY 2004 estimate of $13,433,065 for Interest on Investments represents no change from the FY 2004 Advertised Budget Plan estimate. Revenue from this category is a function of the amount invested, the prevailing interest rates earned on investments, and the percentage of the total pooled investment portfolio attributable to the General Fund.

The County's Investment Interest has been severely affected by interest rate reductions made by the Federal Reserve over the past two years. During calendar year 2001, the Federal Reserve, in an effort to boost economic activity, reduced interest rates 11 times for a total of 4.75 percentage points. The overall yield achieved in FY 2002 was 2.58 percent. This rate would have been even lower had it not been for investments maturing early in the fiscal year with yields averaging 3.0 percent. During the *FY 2002 Carryover Review*, the estimated yield on investments was reduced from 3.0 percent to 1.8 percent, resulting in a revenue reduction of $12.0 million. The Federal Reserve held interest rates steady in calendar year 2002 until November when rates were reduced an additional 50 basis points. As a result, the anticipated FY 2003 yield on investments was lowered from 1.80 percent to 1.40 percent during the fall 2002 review of revenues and revenue was decreased an additional $4.6 million. There is no indication that interest rates will rise soon. The FY 2004 Adopted Budget Plan estimate assumes that rates will remain the same as FY 2003 at 1.40 percent.

An average portfolio size of $1,535,207,429 is anticipated in FY 2004, representing no change from the FY 2003 projection. All available resources are pooled for investment purposes and the interest earned is distributed among the various County funds, based on the average dollars invested from each fund as a percentage of the total pooled investment. Total Interest on Investments for all funds is projected to be $21,492,904 and the General Fund percentage is projected to be 62.5 percent in FY 2003 and FY 2004.

GENERAL FUND REVENUE OVERVIEW

CHARGES FOR SERVICES

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$35,241,909	$37,301,691	$38,771,557	$38,148,727	($622,830)	-1.61%

The FY 2004 estimate of $38,148,727 for Charges for Services reflects a decrease of $622,830, or 1.6 percent, from the FY 2004 Advertised Budget Plan. The decrease is the result of opening only one new SACC room rather than two at each of the four new elementary schools: Centreville, Island Creek, Andrew Chapel, and Lorton Station elementary schools.

The FY 2004 estimate represents a net increase of $847,036, or 2.3 percent, over the *FY 2003 Revised Budget Plan*. The net increase in FY 2004 revenue is primarily due to an increase in School Age Child Care (SACC) revenue and fee increases offset with decreases in County Clerk Fees and Police Reimbursement. SACC revenues are projected to rise due to a 2.0 percent base fee adjustment to address salary increases plus $238,816 for increased food cost which will be reflected in parental fees. Also, the FY 2004 revenue projection for SACC includes the addition of four new SACC centers mentioned above, one additional room at Lemon Road elementary school; and, the transition of four centers to year-round schedules including Parklawn and Annandale Terrace elementary schools and two sites yet to be determined.

In addition, at the Board of Supervisors' request, all County fees and fares were reviewed in order to maximize revenue and increase cost recovery in FY 2004 while maintaining consistency with surrounding jurisdictions. As a result of this exercise, various Charges for Services categories have been increased a total of $1,131,263 in FY 2004. Impoundment fees at the Fairfax County Animal Shelter are increased to $20 for dogs, cats and reptiles, $10 for small animals and $50 to $100 for livestock. These increases are expected to generate additional revenue of $40,000 in FY 2004. Parking fees at the Public Safety Center are increased from $0.25 per one-half hour with a maximum of $5.00 per day to $0.50 per one-half hour with a maximum of $6.00 per day resulting in additional revenue of $150,000 in FY 2004. Recreation fees were increased for building directors, classes and summer programs in FY 2004 resulting in additional revenue of $268,159. Library overdue book penalties are recommended to increase resulting in an additional $300,000 in FY 2004. Zoning Fees are to be increased 15 percent, generating $153,104 in FY 2004. Lastly, a revenue increase of $220,000 is associated with a recommendation that would amend the County Code to institute a $40 fee for a Residential Permit Parking District (RPPD) decal that would be valid for two years. The decal fee would fully recover the cost of managing the RPPD program.

The increases in Charges for Services are partially offset by a decrease of $1,475,997 in County Clerk Fees in FY 2004 associated with a decline in recordation receipts as mortgage refinancing is expected to slow. Police Reimbursement is also expected to decline $361,156 in FY 2004 as a result of one-time FY 2003 revenue associated with police service provided during the World Bank and the International Monetary Fund meetings in Washington, D.C.

FINES AND FORFEITURES

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$10,318,703	$9,705,364	$12,006,933	$12,044,433	$37,500	0.31%

The FY 2004 estimate for Fines and Forfeitures of $12,044,433 represents an increase of $37,500, or 0.3 percent, over the FY 2004 Advertised Budget Plan estimate. This increase results from outsourcing the processing and collection of parking violations and passing on the collection fee to the delinquent violators.

The FY 2004 estimate represents an increase of $2.3 million over the FY *2003 Revised Budget Plan* estimate. This increase is primarily due to increases in General District Court fines and fines charged for parking violations. Parking violation fees were examined as part of the overall fee and fare review requested by the Board of Supervisors. All parking violation fines will be increased as of June 1, 2003 and are anticipated to generate $1,102,905 in additional revenue in FY 2004. The revised fines will be in-line with surrounding jurisdictions.

REVENUE FROM THE COMMONWEALTH/FEDERAL GOVERNMENT[1]

FY 2002 Actual	FY 2003 Revised	FY 2004 Advertised	FY 2004 Adopted	Increase/ (Decrease)	Percent Change
$127,079,686	$124,932,978	$115,713,200	$115,818,200	$105,000	0.09%

[1] Excludes Personal Property Taxes that are reimbursed by the Commonwealth as a result of the Personal Property Tax Relief Act of 1998. See the "Personal Property Tax - Current" heading in this section.

The FY 2004 estimate of $115,818,200 represents an increase of $105,000, or 0.1 percent, over the FY 2004 Advertised Budget Plan. The increase is due to restored State funding by the Virginia General Assembly for Brain Injury Services.

The FY 2004 estimate represents a net decrease of $9,114,778, or 7.3 percent, from the *FY 2003 Revised Budget Plan.* Of this reduction, $3.4 million is the result of additional Federal pass-through for child care services in FY 2003 that is not anticipated in FY 2004 and a $2.7 million reduction is the result of a projected decrease in the illegal alien grant received from the Federal government as FY 2003 represented payments for two years.

As part of the expenditure reductions proposed by the County Executive, services provided in the Child Care Assistance Program (CCAP) will be reduced for an expenditure savings of $2.0 million, resulting in a $1.0 million revenue decrease. In addition, expenditure savings associated with services provided through the Comprehensive Services Act (CSA) to at-risk children and youth will result in a revenue decrease of $1.0 million.

The remaining decrease in FY 2004 from FY 2003 is due to reductions in State aid. In order to balance the Commonwealth's budget deficit, aid to localities was reduced. ABC profits that would have been distributed to localities have been diverted to the State's General Fund. This reduction represents a loss of $0.3 million to Fairfax County in FY 2004 and represents a reduction of over 78 percent since FY 2002. Due to budget reductions in the State's Department of Family Services, non-CSA revenues are expected to fall $1.0 million in FY 2004 and revenue from the Compensation Board is anticipated to drop $0.4 million in FY 2004. The State revenue reductions in FY 2004 are partially offset with an increase of $0.7 million associated with a contract rate increase for providers of mandated and non-mandated services for at-risk children served by the Comprehensive Services Act.